

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 CEA-01
STR-04 /098 W
-----091925Z 099371 /42

R 091753Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8121
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USBERLIN
USMISSION NATO
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

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DEPARTMENT PASS TREASURY, FRB AND CEA
USAFE FOR POLAD

E.O. 11652: N/A
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TAGS: ECON, EFIN, GW
SUBJECT: INDUSTRIAL PRODUCTION DISAPPOINTINGLY DROPS
ONCE MORE; GNP GROWTH LIKELY SLOWED; NEW
ORDERS SOMEWHAT UP SINCE JANUARY, BUT
DOMESTIC DEMAND SOFT BY ANY MEASURE

1. MARCH INDUSTRIAL PRODUCTION WAS DOWN 1 POINT (TO A

SEASONALLY ADJUSTED INDEX NUMBER OF 113) IN MARCH FOLLOWING ON A 2 POINT DROP IN FEBRUARY FROM THAT OF JANUARY (WHEN IT WAS 116). OUR ECONOMICS MINISTRY CONTACTS TELL US THAT THEY ARE QUITE DISAPPOINTED AT THE DOWNWARD TREND IN THIS IMPORTANT INDICATOR SINCE THE BEGINNING OF THE YEAR. THEY TAKE SOME ENCOURAGEMENT, THOUGH, FROM THE FACT THAT THE FIRST QUARTER 1977 INDUSTRIAL PRODUCTION IS UP OVER THE FOURTH QUARTER OF 1976. WE CALCULATE THIS RISE TO BE QUITE MODEST, HOWEVER, REPRESENTING AS IT DOES ONLY A 3.5 PERCENT SEASONALLY ADJUSTED ANNUAL RATE OF INCREASE. FURTHERMORE, ON THE BASIS OF OUR ROUGH CALCULATIONS, FIRST QUARTER GNP GROWTH (WHICH WILL NOT BE RELEASED BY OFFICIAL SOURCES FOR ANOTHER MONTH AT LEAST) SHOULD BE SOMEWHAT BELOW THIS LOW RATE OF QUARTERLY INCREASE IN INDUSTRIAL PRODUCTION. SUCH A RELATIVELY LOW FIRST QUARTER MAKES ACHIEVEMENT OF A 5 PERCENT REAL GNP GROWTH RATE FOR THE YEAR ALL THE MORE DOUBTFUL. COINCIDENTALLY OR NOT, THIS MEANINGFUL INDICATOR, WHICH NORMALLY WOULD HAVE BEEN RELEASED LAST WEEK, WAS WITHHELD UNTIL AFTER THE SUMMIT CONFERENCE HAD ADJOURNED

2. MORE ENCOURAGING WERE THE MARCH RESULTS FOR THE VOLUME OF TOTAL NEW ORDERS. AT 109, THE INDEX NUMBER FOR THESE WERE UP BY 2 POINTS OVER THE FEBRUARY LEVEL, WHICH IN TURN DUPLICATED THE JANUARY VOLUME. ON THE OTHER HAND, COMPARING THE FIRST QUARTER SEASONALLY ADJUSTED NEW ORDERS DATA WITH THE FOURTH QUARTER THERE IS A VERY SHARP REDUCTION. LIMITED OFFICIAL USE

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CALCULATED AT AN ANNUAL RATE THE DECLINE IS ON THE ORDER OF 23 PERCENT IN THIS COMPARISON. OUR ECONOMICS MINISTRY CONTACT IN THIS CASE SAID THAT THE THING TO LOOK AT IS THE TREND SINCE THE FIRST OF THE YEAR AND NOT THE QUARTERLY COMPARISON. HE SAID THAT IT IS THE CONSIDERED OPINION OF BOTH THE ECONOMICS MINISTRY AND THE BUNDESBANK THAT DUE TO THE METHODOLOGICAL CHANGES THAT WERE IMPLEMENTED IN THIS SERIES BEGINNING WITH THIS YEAR THAT COMPARISON WITH LAST YEAR YEAR'S RESULTS WAS NOT VALID. PREVIOUSLY HE HAD TOLD US THAT THIS YEAR'S DATA WAS ADJUSTED IN SUCH A MANNER AS TO MAKE COMPARISON POSSIBLE. NOW HIS INTERPRETATION IS THAT SINCE THE STATISTICS ARE GATHERED BY THE STATE LEVEL STATISTICAL OFFICES, WHICH ARE NOT CONTROLLED BY THE FEDERAL STATISTICAL OFFICE, THE FEDERAL LEVEL OFFICIALS CANNOT BE SURE THAT THEIR INSTRUCTIONS TO THE STATES WITH REGARD TO THE COMPARABILITY ADJUSTMENT HAVE BEEN CORRECTLY EXECUTED. THE SUSPICION IS THAT MISTAKES WERE MADE.

EVEN THOUGH THE SAME SAMPLING CHANGES AND ADJUSTMENT
CORRECTIONS WERE SUPPOSED TO HAVE BEEN MADE IN THE
INDUSTRIAL PRODUCTION SERIES COLLECTION, HE DID NOT

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STR-04 /098 W

-----091926Z 099564 /50

R 091753Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8122
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
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AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
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FEEL THAT THE SAME SUSPICIONS APPLIED.

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3. THE MOST NOTABLE ASPECT OF THE MARCH NEW ORDERS DEVELOPMENTS IS THE SHOW OF STRENGTH IN THE SUB-COMPONENT OF FOREIGN DEMAND, THIS INDEX NUMBER JUMPING TO 145 FOLLOWING ON 136 IN FEBRUARY. DOMESTIC DEMAND, ON THE OTHER HAND, MORE OR LESS STABILIZED AT THE SAME LEVEL AS IN THE PREVIOUS MONTH, WITH NO GROWTH REGISTERED FROM THE FIRST OF THE YEAR (TO SAY NOTHING OF THE SHARP DROP FROM LAST YEAR). DISAGGREGATING THE DOMESTIC DEMAND PICTURE, THE WEAKEST ELEMENT WAS IN CONSUMER GOODS WHERE THERE WAS A FULL 7 PERCENT (NOT ANNUALIZED) DROP FROM FEBRUARY TO MARCH. INVESTMENT GOODS DEMAND FROM THE HOME MARKET CONTINUED WEAK, WITH A MARCH INDEX NUMBER OF 98 COMPARED TO 103 IN JANUARY. THE DATA HANDLING PROBLEMS MENTIONED EARLIER, OF COURSE, DO NOT INVALIDATE THE ANALYSIS OF STRENGTHS AND WEAKNESSES IN THIS PARAGRAPH SINCE NO COMPARISON WITH LAST YEAR IS INVOLVED. THEREFORE, THE QUITE SOFT DOMESTIC DEMAND TREND PREVAILING SINCE THE BEGINNING OF THE YEAR PORTRAYED IN THIS DATA SEEMS VALID AND BEYOND QUESTION.

4. PERTINENT TABLES FOLLOW:

TABLE I
TOTAL INDUSTRIAL PRODUCTION INDEX
SEASONALLY ADJUSTED (1970 100)

1976

OCT	113
NOV	113
DEC	114

1977

JAN	I	116
FEB		114

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MAR 113

TABLE II
NEW ORDERS VOLUME INDEX
SEASONALLY ADJUSTED (1970 100)

	TOTAL	DOMESTIC	FOREIGN
	----	-----	-----
1976			

OCT	113	103	145
NOV	112	103	140
DEC	118	107	147
1977			

JAN	107	100	131
FEB	107	98	136
MAR	109	99	145

TABLE III
DISAGGREGATED DOMESTIC NEW ORDERS INDEX
SEASONALLY ADJUSTED (1970 100)

	INVESTMENT GOODS	CONSUMER GOODS
	-----	-----
1976		

OCT	104	100
NOV	105	101
DEC	111	99
1977		

JAN	103	101
FEB	99	100
MAR	98	93

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL PRODUCTION, DATA, GNP, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN08008
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770163-0064
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770580/aaaacrbq.tel
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Litigation Code IDs:
Litigation Codes:
Litigation History:
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Message ID: e2904698-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2603562
Secure: OPEN
Status: NATIVE
Subject: INDUSTRIAL PRODUCTION DISAPPOINTINGLY DROPS ONCE MORE; GNP GROWTH LIKELY SLOWED; NEW ORDERS SOMEWHAT UP SINCE JANUARY, BUT
TAGS: ECON, EFIN, GE
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/e2904698-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009